BULLETIN OF THE

TAYLOR SOCIETY

AN INTERNATIONAL SOCIETY TO PROMOTE THE SCIENCE
AND THE ART OF ADMINISTRATION AND OF MANAGEMENT

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TWO PAPERS ON NRA

In Interpretative Forecast of the NRA

By Ordway Tead

Discussion by Benjamin A. Javits

A Plan for the Management of an Industry as Expressed in the Code of the Hankerchief Industry

By Milton C. Herrmann and E. Johnston Coil

Engineering Societies Building
29 W. Thirty-Ninth St.
New York

AUGUST, 1933 VOL. XVIII, NO. 4

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The objects of this Society are, through research, discussion, publication and other appropriate means:

1. To secure—for the common benefit of the community, the worker, the manager and the employer—understanding and intelligent direction of the principles of administration and management which govern organized effort for accomplishing industrial and other social purposes.

2. To secure the gradual elimination of unnecessary effort and of unduly burdensome toil in the accomplishment of the work of the world.

3. To promote the scientific study and teaching of the principles governing organized effort, and of the mechanisms of their adaptations and application under varying and changing conditions.

4. To promote general recognition of the fact that the evaluation and application of these principles and mechanisms are the mutual concern of the community, the worker, the manager and the employer.

5. To inspire in labor, manager and employer a constant adherence to the highest ethical conception of their individual and collective responsibility.

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Anachronism

Although this Bulletin is dated August, 1933, to meet second class mail requirements, it was not actually published until January, 1934, and therefore contains December Meeting papers and the names of new officers elected at the Annual Business Meeting on December 7.

Our plan is to issue several small Bulletins in rapid succession in order to catch up with our publication date and eliminate the necessity for anachronisms.

The proceedings of the December Business Meeting will be printed in a following issue. The significant facts will be the information concerning the new officers elected—whose names are listed on the inside back cover of this issue—and the fact that the Treasurer's report shows a slight operating surplus for the year notwithstanding serious drop in income.

Comment

IF MEASURED by change in point of view instead of by years there is much more than two decades separating the programs of management society meetings of 1913 from those of 1933. The earlier programs were devoted to internal problems of production management; current programs give generous attention to economic problems and to social institutions affecting business.

THE RECENT annual meetings of the American Society of Mechanical Engineers and the Taylor Society were striking examples of the breadth of the present interest of engineers and executives. Both co-operated with Stevens Institute of Technology in the celebration of the fiftieth anniversary of Taylor's graduation, and of that celebration the dramatic element was an actual reproduction, under Carl Barth's direction, of the famous Midvale and Bethlehem metal cutting experiments of half a century ago. But in other parts of the programs of their meetings both societies included papers on economic problems affecting business and various aspects of the New Deal.

THERE is plenty of reason for this broad interest. Recent developments have brought out clearly that the problems of management in any individual plant are imposed upon it by the conditions and institutions of the economic environment; and that its objectives can be defined (the starting point of good management) and suitable methods developed only after it has acquired an understanding of industrial trends and the nature of the new economic institutions which are being created. Ask anyone in a position to know whether the industrial executive's preoccupation is with details of internal management or with external conditions of his business!

IN THIS issue is a collection of papers about NRA and codes. One paper comprises an interpretative forecast of the possible trends in the development of NRA. It assumes, what nearly everybody assumes, that NRA has come to stay in one form or another, and that the particular form is not yet known. It offers the judgment that, while there may be variations, there can be only two basic lines of development: one in the direction of a socialized industry in which industrial self-governments are but operating agencies of the people—in which policies and the major conditions governing industry are determined by the Federal government or a specially created representation of the people; the other in the direction of a fascism of a Mussolini, Hitler or other type. It is a matter of very great importance to industry that NRA exists and presumably will be a permanent institution; it is a matter of even greater importance which of the two lines of development noted above will be realized. We hope our readers will be stimulated by Mr. Tead's paper to read everything they can find on this matter, form independent judgments and make their judgments known in positive action.

ANOTHER paper is of equal importance but of a different kind. The Herrmann-Coil paper is an analysis of the adopted code of one of our smallest industries to discover to what degree the effort of this code to apply Scientific Management to an entire industry has been successful. Mr. Herrmann, the owner-manager of a Scientific Management handkerchief factory, was the leading influence in the construction of the code, is the chairman of the Code Authority, and his Scientific Management viewpoint is apparent throughout the document. Our readers will be very interested in the analysis, for it strikes us that the attempt to apply Scientific Management on the scale of an industry has been remarkably successful.

An Interpretative Forecast of the NRA

Is the Trend Toward Fascist or Socialized Self-Government?

By ORDWAY TEAD

Editor of economic books, Harper & Brothers, and Lecturer on personnel administration, Columbia University, New York

MR. WALTER C. TEAGLE has recently said that "we are on a new road, a one-way street, by which we can never return."

Perhaps this is the most important thing for business men to remember about the NRA. We can never return to the status quo ante. Fundamentally, if all the NRA legislation were taken off the books in 1934—as it almost certainly will *not* be—the status of business in relation to competitive practices and in relation to negotiations with employes can never be turned back to the situation that was typical in 1929.

As soon as business men admit this they will be readier to have a flexible and open mind about the future, which will help to lessen the present widespread bewilderment and fear with which they face tomorrow. At least, an understanding of what seems to be ahead if present trends remain in operation may lead to a more sympathetic understanding. And it is one of the assumptions of this paper that these trends, as I propose to outline them, *will continue* in operation.

The question is, how rapidly will we go and will our intermediate steps be full of conflict and hostility?

It may be objected that this was not the case after the War when the cry from 1919 to 1922 was back to "business as usual." But it is my contention that the fundamental economic situation of this country, as well as its general economic literacy, has undergone considerable development since 1919; and it is idle to expect that a period of marked recovery will see a rapid face-about to a business-as-usual attitude.

Without trying further to prove this point I would merely suggest that the economic forces today which inevitably press us forward in a new direction are increasing competitive marketing costs, increasing trends toward consolidation in manufacture, distribution and banking, increasing output per unit of capital and labor, increasing pressure for mass purchasing power, increasing sentiment against excessive investment and excessive return from investment, and finally, an increasing demand for strong labor organization.

Because of the pronounced effects of this combination of influences there is a real danger that business men may prove to be their own worst enemies if their obstruction to the NRA becomes more pronounced and active than it has already shown itself to be in certain instances. There is, in the first place, the danger that they will destroy whatever improved morale they had built up with their workers by the development of personnel work in the last fifteen years. For there had been a real gain here. But now the recognition of the right of labor to organize and to speak through representatives of its own choosing, which the NRA explicitly recognizes, has naturally prompted aggressive efforts at labor organization. And if these are consistently and stubbornly obstructed, the loss of employe goodwill will undoubtedly prove serious—indeed has probably already been an adverse factor.

In the second place, there is the danger that business executives may diminish whatever good-will they may have built up in the *consumer* world if they persistently use the NRA machinery as an instrument for creating unduly high, monopolistic or semi-monopolistic prices and for restricting production and potential productivity so that high prices can prevail and all the present high-cost marginal producers can stay in business.

In the field of personnel relations in industry, business has up to now followed policies which on the whole meant doing things *for* the workers. Personnel work has in essence been of that character.

And consumers have on the whole up to now had to rely on the forces of competition to keep prices down, and have relied upon unregulated free enterprise to keep production abundant and productivity increasing.

The NRA now confronts us with a radically different situation in both of these directions. It proposes to allow workers and consumers to speak directly for themselves. It fosters certain specific conditions as to joint relations with workers which vitally alter the process of negotiation—as well as provisions for minimum wages and maximum hours. And it at least looks toward some control of production and of prices, and of new investment under trade association and government supervision, all of which is potentially a radical departure from all precedents.

Fundamentally, the NRA supported by other features of the New Deal program involves a new recognition of the organic place in the scheme of things of labor, of the consumer and of the investor. Broadly speaking, American economic activity has up to this time been animated by the incentive of individual rewards out of productive enterprise. The NRA says in unmistakable terms that from now on American economic activity is to be helped to develop in the direction of broader democratic use, and therefore with fuller social control of the results, of economic effort. Indeed, members of the Administration have again and again said explicitly that their program looked to a shift in the distribution of our annual national income, so that a larger proportion will go to wage and salary earners and a lesser proportion to owners as such.

This policy has, of course, disturbing implications for those who own, and for those managers who primarily want to represent owners. It is not surprising, therefore, nor should it necessarily be construed as socially unfortunate, that the resistance by employers to the plain intent and implications of this whole policy, has brought in its wake a marked increase of active strikes by manual workers, by farmers, and by unorganized consumer-buyers who refuse to pay current prices. The present situation does unquestionably present a real conflict of economic interests. And employers, especially those of the old school, labor under a real fear that their *control*, their *privacy*, and their *profits* are in jeopardy.

The real question is whether owners and employers can see the handwriting on the wall—can see the intent of the Administration and of the great majority of people who support it—plainly enough to allow their policy of obstruction to change into one of greater alignment with the trends. Such co-operation exercised in good faith in relation to collective negotiation and fair prices could mean the retention of a good deal of trade autonomy of such a sort that the phrase "industrial self-government" might gradually be applied to it. Whereas if there is strong resistance to labor organization and insistence on high

profits, public pressure *might* force a degree of public intervention and government control in the next two or three years which might be too clumsy, unwieldy and stultifying to be good from any point of view.

One may not blame people for being afraid that their favored position at the top of the economic heap is endangered. It surely is. But the function of management, as such, is not endangered. And the function of supplying capital out of ownership is not at the moment going to be taken completely away from private owners. For managers and owners to obstruct change, however, is likely to retard an evolution of functions in a more socialized direction. It may well lead by legislative intervention to sudden shifts to a far less favorable position than they now enjoy. Good strategy from their own point of view would dictate more co-operation with the trend.

It is no doubt because of recognition of the dangers in the present situation that Mr. Gerard Swope has recently come forward with a modification of his earlier proposals looking toward a permanent national economic council representative of all economic interests, which might conceivably and eventually take over the over-all organization of the NRA and act as an economic super-cabinet.

I am not here concerned with the details of Mr. Swope's proposal. Nor is my primary theme the need for economic planning as such—although this whole objective is obviously here implied to be desirable.

My primary theme is that some kind of permanent national economic organization is bound to eventuate in this country in the next few years; and that it will inevitably bring under its supervisory and regulatory wing many of the activities with which the NRA is now charged.

My theme is further that no such supreme economic council can function in any realistic way without being dependent upon and built up out of organizations of our respective industries which are broadly similar to our best trade associations or institutes today—with certain qualifications which I will presently set forth, as to how these shall be constituted for regulative purposes.

My theme is, finally, that if business men would come quickly and generally to understand that industry-wide organization is an inevitable economic trend, they will be prepared to co-operate with the NRA as an evolving institution in a new and gratifying way. For then they will see that there is some sense, some philosophy and some economic justification in present events; and see also that the present effort which the Administration is furthering toward organization and representation of workers and of consumers, toward protection of investors and toward control of commercial bank credit, is not just a temporary fad of the brain trust, but is part of a fundamental economic philosophy, and represents a trend which cannot be stopped—and should not!

For, irrespective of how the NRA came into existence, its total effort *today* unmistakably represents the expression of an evolutionary philosophy in the direction of democratic economic control which, more or less articulately, the Administration is backing. President Roosevelt has himself used approvingly such phrases regarding this development and its machinery as "industrial self-government" and "economic constitutional order."

I do not believe these phrases are just words which can be taken by employers as requiring no changes in their own present outlook and methods. They imply a new alignment of economic interests—and one which depends for its effective working on an *organization* of those interests. The Administration appears to be clear that it will encourage such organization of these various interests and support the efforts of such organizations to secure open representation.

We seem faced by at least two possible next step alternatives. We may take the road of strongly concentrated economic organization controlled predominantly by present large industrialists and their bankers, with perhaps some nominal sop to organized labor. That way will lie a kind of American fascism which it might take a generation to throw off, although another era of prosperity with its inevitable subsequent depression might shorten this period.

Another possible road would be a deliberate *governmental* fostering of representative organization among workers and consumers with strong public control of capital and credit issue building up a virtual series of modern guilds with a tripartite control in each industry and an economic super-cabinet of co-ordination. If the owning groups could be brought to accept this alternative they would undoubtedly survive as somewhat autonomous functionaries for some years, although a public policy of encroaching control would gradually lessen profits and lessen other prerogatives of ownership.

There may be other possible alternatives. But if these two are the most likely ones, my own position would be that if business men are successful in establishing the first one—the fascist capitalist state—they are sowing the wind and will eventually reap the whirlwind. They are obstructing the line of moderation in evolution in favor of a temporary advantage and exercise of power from which the future might very possibly see them violently dethroned.

The way of fascistic capitalism for America may be in the cards—but it will only be inevitable because owners see their own interests in a too short-sighted and narrow way. Ultimately, it would seem, economic constitutionalism will come. Whether it comes gradually with private owners as temporary partners or ultimately with these owners progressively dispossessed, is perhaps the central issue.

However, it is because I see it as still a *possibility* that we might elect the second, middle course alternative, that I would like to go on to suggest how we might consciously work in that direction.

Concretely, hope for this second alternative seems to me to require, first, that everything possible be done to bring employers into their proper trade associations. Personally, I would favor some degree of compulsion in this direction in the law or in the codes. And no doubt it will be advisable to group our hundreds of trade associations under a much smaller number of large industrial groupings for administrative purposes. Everything possible should be done to strengthen the effectiveness of trade association and institute functioning.

By the same token, it seems to me, second, to require that the sooner opposition to the effort of workers to organize is recognized as futile, the better off we will be. Such opposition is dangerously obstructive, anti-social and anti-democratic in the light of the economic forces now at work and now being furthered at Washington.

I do not minimize the administrative and leadership difficulties entailed in a more widespread organization of labor. It will not be possible to escape the difficult questions of dealing with competing unions in the same industry or of an undue emphasis upon craft lines in union organization.

But it is certainly clear that we cannot have the kind of organization and representation required of an economic constitutional order as long as there is persistent opposition to the fact of labor organization. As one high labor union official said recently, "If only they would take us for granted," it would then be possible for the unions to turn their attention to a more co-operative and less defensive attitude and program.

Without trying to present any brief for the inevitable strengthening of labor organization, I would point out that it will

forward a desirable uniformity and raising of labor standards, including wage rates, which means more mass purchasing power and a more effective compliance with regulatory and code provisions on labor standards. And finally, it will help toward a minimizing of strikes by strengthening the whole machinery of representative organization by which legitimate differences of interest regarding fair terms of employment can temporarily be adjusted in voluntary conferences.

Indeed, the more the obstruction and the more the effort to make company unions a substitute for industry-wide organization, the more will we face conflict, bitterness, failure to secure the co-operation of labor, and, of course, threats of violence or worse.

A third requirement of an economic constitutional order will be to accord the consumer interest a *much stronger place* in a representative scheme of things. How this is to be done may be debatable; but my own position is that governmentally appointed public representatives can probably, so far as consumer industries are concerned, give effective voice to consumer interests, especially if they have the backing of numerous private consumer bodies. And in the heavy industries producing for other producers it may be that bodies like the National Association of Purchasing Agents can help materially. Great care has, however, to be exercised throughout to assure that all such consumer representatives are personally qualified to act primarily in the public interest.

The point to be stressed is that it is probably only the consumer voice in the joint councils which can avoid the danger of industrial guilds becoming conspiracies against the public, which would build up a vested interest in obsolete jobs, in preventing new technological advances, in restricting production, in maintaining prices and in keeping high-cost, marginal producers perpetually secure in their inefficiency.

It is the active, strong presence of the consumer interest in the NRA and in regulative code bodies, which can help to get away from the difficulties of restrictive practice that the usual cartels have disclosed.

A fourth related and immediate requirement would be at once to provide that all the national and district code authorities and labor boards should be tripartite bodies, specifically representing not only employers but wage-workers and consumers. And this same provision as to representative membership should probably be extended at once to the compliance boards, whether they are set up as governmental or decentralized bodies.

This whole picture of a possible group of self-governing industries under an economic super-cabinet will be incomplete if no recognition is given to the problem of control of bank credit and of new investment. Both in respect to additions to plant in going concerns and in respect to new enterprises, whether in existing businesses or in newly discovered industries, there will have to be some protection to the investor—some control of the extent to which new capital is employed. And bank credit will have to be made available only in relation to reliable indices of genuine credit needs.

But I am not here concerned with anything more than establishing the fact that control in these fields is being recognized by the Administration as an important attendant requirement in the evolution of industrial self-government.

My conclusion is that almost inevitably the whole competitive process is bound to be greatly modified by the building up of a controlling body in each industry, representative of employers, labor and consumers.

My next conclusion is that to some slight extent it is now in our hands to choose whether we shall be high-pressured economically in the next few years into fascist capitalism, or whether a more middle-of-the-road course of tripartite representative control will be encouraged to develop, to administer industry under some kind of fully representative national economic council—admittedly as a transitional step only, however.

An economic fascism might give bread and circuses to the masses and stave off the socializing of capital for a long time—especially if there are no great foreign wars. But after that, the essence of the guild idea would again have to be invoked for the reason that sooner or later a functionalized organization of administration and control is the economically efficient method of operation for a society with anything like a democratic bias.

This in very sketchy outline seems to me the meaning and implication in the forces which the NRA has accelerated and which otherwise might have taken a decade or two to reach their present point. The forces as such are non-moral. But they can be used and directed, perhaps, in ways which are beneficent or in ways which are anti-social.

If they are to work in ways which are more immediately beneficent, they need the support of all who can reasonably be disinterested—or who are interested primarily in the public interest.

The interests of the great middle class, of smaller employers, of merchants, and of professional managers—no less than of the wage earners—fall in this matter largely on the side of the public interest. They lie with the support of economic functionalism and constitutionalism—*if people can only be made to understand the outlook in its true light.*

The road of progress would seem to be in directions which strengthen the trends which the NRA is clearly favoring.

Discussion

By **BENJAMIN A. JAVITS**
Javits & Javits, New York

IT HAS been suggested here that the trend of our national economic organization lies in one of two directions, either toward that which has been described as a kind of "American fascism controlled by industry itself," or toward a system of tripartite management including worker and consumer representation, with strong public control of capital and credit, which would build up a virtual series of modern guilds. The latter method, though not spoken of as fascism, would seem to me to correspond much more closely to the more governmental type of fascism as we have seen it developing in Italy under Mussolini.

I do not feel that our industry will be organized along either of these lines, because I believe that the American people as a whole do not wish it. While there is a vast lack of general understanding as to what form of organization should be adopted and the details of the set up, I have been surprised during the last several years when traveling around the country and talking with many types of people to observe that the rank and file of those who seldom make the headlines have a much clearer idea than they have been given credit for as to what they ultimately expect the New Deal to accomplish. This perhaps may be truer in the negative than in the positive sense. The American people know exactly what they do not want, and their ability to decide this acts as a valuable governor in an era of experiment such as ours.

One particular reason why I believe it unlikely we will go into an industrially controlled fascism is the fact that industry as we know it has not achieved any degree of integration, and has not exhibited the type of leadership sufficiently certain of itself or sufficiently active to point to that end. Such leadership as it has had—of the type of Ford and Swope—has fortunately been of a kind which pointed out the new trends and assumed that labor was the co-manager of industry and theoretically was

no longer to be looked on as a commodity to be bought and sold at the highest and lowest prices, as was the established belief under the old economic attitude. This type of leadership has not so far received the endorsement and support it merited from other recognizedly powerful industrialists.

On the other hand I believe the run-of-the-day business men are working through with astonishing rapidity to an understanding of what they do want. During the last eight months as I have traveled back and forth to Washington on professional work for various trade associations and code authorities I have talked personally with hundreds of business executives. An attitude has developed among some of the industries and code authorities which, if the average men in the street, congressmen and government officials had heard expressed as often as I have, would make known to them that the revolution of which Donald Richberg and others have spoken, has, like a vaccination, actually "taken."

If the attitude of those men in the code authorities may be taken as indicative, there is developing the keenest recognition on the part of the American business man of the fact that he is serving in a representative capacity for all of those groups and units composing the economic process.

This revolution in our thinking has largely to do with our habits of buying and selling. We are fast moving toward the condition of affairs where no business executive or private person should think of buying unless he or she knows that in the price paid there is at least a fair return to the seller, because he will know that to do otherwise is damaging to the economic structure. At that time no one will dare pay labor a wage unless he knows that such wage will represent, to begin with, a fair living. No man or woman will dare sell anything which does not at least show a fair return.

If government beaurocracy does not by force of its pressure throw us into a dictatorship—a danger which does exist but which I do not expect will overtake us—the structure which I believe will develop is that of a series of pyramidic code authorities spread over all industry and finally culminating in an organization representing industry itself. This government of industry, or Institute of Industrial Co-ordination as I called it in my first book on the subject, will work hand in hand with the political government in taking complete charge of the management, direction and control of the whole economic process. The first real step in that direction will be taken when the various groups like the United States Chamber of Commerce, the National Association of Manufacturers and various trade associations get together and say that they will take over the job of putting the American people back to work and will do so on a basis which will adequately protect the business manager, the employe, the consumer, the investor, and will supply the moneys that governmental functions require to operate. If Mr. Swope had made this addition to his proposal I dare say it would have been given a better reception.

I am assuming that under this plan agriculture must and will be handled as a business and the farmer dealt with as a business man, instead of, as now and heretofore, looked on as either an object of continued governmental charity on the one hand, or, on the other, as the only person to whom the government has a responsibility.

It is in these processes that the political government—and all of us, who are for the most part still politically minded in a civilization whose major problems are economic—will have to be re-educated as to the function of the government in working out our economic affairs. A political entity can never deal constructively with an economic problem unless it becomes an economic entity. If the National Recovery Administration succeeds in the long run it may be that the Presidency of the Institute of Industrial Co-ordination, marshalling all the economic forces, might be in the year 1975 a far more important position than the Presidency of the United States.

However slowly or rapidly we may progress toward the establishment of an economic body which is fully and authoritatively representative of American business I wish to put before you the suggestion that there should at once be established an American Academy of Industry which will compare in its way—since we are almost strictly an industrial nation—with the function served by the French Legion of Honor. Such an academy could serve in many definite ways. It could, to continue the comparison with the French Legion of Honor, give public recognition to those who make substantial contributions to the establishment of a new civilization in which the keynote is security on an ever increasing scale as the Legion now recognizes helpful contributions in the interest of France as a nation.

The Academy should do for this country what Aristotle dreamed his academy could do for ancient Greece, with the difference that the economic means and processes in this country are now really ready to be used to that end, while the machine and other agencies which make this possible were not even thought of in Grecian antiquity. Such an organization might well set a goal for all of American industry, and goals for each branch of industry, so that we might develop a really scientific leadership. It might well undertake a study, in which it could enlist the aid of every citizen, as to what are prices, what are costs, what are wages, what are profits, what are money, gold and credit, in their relation to the kind of society we are apparently trying to build.

Such an organization could immediately take over the task of educating all groups and divisions of people as to their interests, obligations and privileges under the New Deal. Particularly could it assist in hastening the radical changes which must take place in our buying and selling habits. If any economic plan working toward a definite objective or goal is to succeed the mass of people must understand it. In the program so far there has been no concerted effort toward this end. This seems to me of the utmost importance. I have recently made a point of asking practically every intelligent woman I have met what she thinks of the NRA. In almost no instance did she have a grasp of the principles of the recovery act and the part she is expected to play thereunder. In most cases no interest had even been aroused. Without the intelligent support of the woman purchaser, who is the biggest consumer buyer, the program will have hard sledding.

May I suggest that the fundamental principle to be observed in this whole movement is that at least a fair return must be assured to those who render a service or supply a commodity. I differentiate between profits and a fair return. The latter is that which merely sustains capital. A profit is that which is added to capital. In this connection it may not be amiss to say to those of you who are mathematicians that there is no real hope of spreading or creating buying power in this country until we have stopped living out of capital and begin to build up the small equity we now have, over and above our total debt structure, through assuring a liberal earning power on that capital, so that there can be developed a real buying power which will succeed, not only in pulling us out of this depression, but will maintain a prosperous state.

In closing may I point out that in any long-time plan of trade association organization a substantial interest in the profits of each industry should be alloted to those employed in the industry so that there will be a sound economic reason for eventually making use of a field of credit which must be developed if we are to bring buying power in line with the producing

(*Continued on page eighty-five*)

Management of an Industry

The Plan Offered by the Code of the Handkerchief Industry

By MILTON C. HERRMANN
President, The Herrmann Handkerchief Co., New York
and E. JOHNSTON COIL
New York

ECONOMICALLY, American society has registered a costly failure in its capacity for purposeful association. Industrial evolution, in particular, developed a scheme of production dependent upon complementary, specialized activities; then production collapsed because the essential co-ordination of the component efforts was not realized. Today the nation is consciously engaged in an attempt to restore the intricate productive machine through the medium of co-operation. Laws have been substituted for individual authority for the purpose of integrating individual interests and desires with group interests and desires and individual capacities with the requirements of group purpose.

There are many who believe the goal cannot be achieved except through deliberate recognition and adoption of the technique, principles and philosophy of Scientific Management; that industry, to be stabilized on the national plane, must intelligently follow the procedures proved successful in stabilizing the individual enterprise. Others, however, doubt if collective industry will intelligently and consciously seek to make effective in the larger area those principles of management which have not been applied in the majority of individual enterprises. Although the latter group argues that the goal of co-operation cannot be achieved by any other means than the application of the principles, it believes that their adoption will be through the "trial-by-error," "muddling-through," educational process rather than by any exercise of an understanding foresight.

Regardless of method of approach adopted by industry at large, both groups definitely agree that the co-operative problem will not be solved by any other procedure than that of Scientific Management. Co-operation is the fourth principle of Scientific Management and, as such, is dependent upon the other three principles—research, standardization and control. It cannot be automatically installed or instilled. As a mental attitude, co-operation is a condition of efficient common effort: and that necessitates organization. As a mode of conduct it is the result of the formulation of standards of purpose, of method, of relationship. Co-operation is promoted by the understandings afforded by standard specifications which result from research.

The codes which have been formulated under the National Recovery Act are the instruments for achieving stability of industry on the national plane. It is the purpose of this paper to examine and to analyze the Code of Fair Competition for the Handkerchief Industry in the endeavor to ascertain to what extent the principles of Scientific Management are being applied in the organization of this industry.

Doubtlessly, many of you are questioning why the handkerchief industry was chosen for study. Before answering, I wish to sketch briefly for you a picture of this industry whose products enter so familiarly our daily life—whether as a receptacle for our tears, as the final ornament of finished dress, or as the sop for the sweat of one's brow.

Handkerchiefs are produced by three classes of manufacturers:

1. Handkerchief manufacturers who own or operate their plants and whose product is sold, in whole or in part, directly by them or through salesmen, agents, or representatives, to the wholesale or retail trades.

2. Those who purchase materials and have the fabrication done by contractors who are manufacturers owning plants or operating plants exclusively or partly on a contract basis.

3. Those who make handkerchiefs entirely by hand in the home.

The first two classes include machine and factory operations. There are approximately seventy-five concerns which own and operate their own plants and sell their product in wholesale or retail trade, and about 175 firms who make their product on a contract basis for thirty to forty contractors. These concerns are located either in the continental United States or in Puerto Rico.

Handkerchiefs, as we all know, may be necessities and luxuries. They vary in quality according to type of material, type of workmanship, type of ornament. Effects, designs and patterns are almost innumerable and women's handkerchiefs, in particular, are subject to caprice demand and style variations.

With the exception of one concern which has a vertical organization, production begins with the purchase of cloth from the textile industry or with the importation of linen. Imported linen is already bleached but domestic cloth is bought unbleached and sent to a bleachery and, if desired, to a dye works or printing works. After these initial preparations, the raw material is put through splitting or cutting machines and hemmed on two sides in continuous lengths. A smaller part may be sent to Puerto Rico for hand hemming. After hemming on two sides length-wise, the material is cross-cut and hemmed on the other two sides. Embroidering or ornamenting may be the next step before the final operations of washing, ironing, folding, tying into units and boxing.

In continental United States there are probably 8,000 employes, while the number engaged in the Puerto Rican industry is very large—roughly 150,000 to 200,000. In both the United States and Puerto Rico, women constitute the greater majority of the workers. Minors, however, have been employed only to a comparatively small degree in the United States. Due partly to the predominance of women and to the fact that most of the operations do not require great skill and can be learned in a short time, no part of the industry has been unionized. As the industry is seasonal, hours of work have varied from forty to fifty-five a week, with double shifts in a few instances. As you probably suspect, wages have been low, especially in the last few years; workers in some instances making four dollars to six dollars a week. The piece rate is the characteristic method of wage payment. The fact that labor costs predominate is demonstrated by the capital ratios: fixed capital investment should be one-tenth of the volume of sales, and working capital investment one-fourth to one-third.

The industry has been highly competitive, unorganized, unprofitable. It has never had a trade association and it has suffered a large shrinkage in capital and many disastrous bankruptcies. For these reasons the industry has been subjected to a continuous buyers' market, regardless of industrial conditions, for many years.

The handkerchief industry was selected for study because: (1) It is highly competitive, demoralized and unprofitable; (2) labor conditions are unsatisfactory; (3) no one contro-

versial question is involved such as price-fixing for the oil industry, or labor recognition in the steel and coal industries, and (4) the code is recognized in Washington as one of the best approved to date.

The purpose of the handkerchief code is to organize the industry so that cut-throat features of its operation may be eliminated without reducing competition on the basis of efficiency, thereby making the industry economically capable of increasing the number of workers and their purchasing power. Standards of fair competition are but economical, ethical and social limitations of environment. Known and constant factors have been substituted for variable factors so all manufacturers have certain common goals, facilities and methods. Because the Code of Fair Competition for the Handkerchief Industry immediately establishes standards, it will first be studied to see what it provides in the nature of effective standards. Logically, in an analysis of this nature, a discussion of research, which is the approach to solution of all problems of management and organization, should precede a discussion of standards. But research has preceded the formulation of standards—if not the research of controlled experimentation, at least the research of experience and of conference analyses and comparisons.

The standards immediately established may be classified as follows:

1. *Standards of Membership.* After January 1, 1934, the partial manufacture of handkerchiefs in the home has been prohibited because it is practically impossible to police or stabilize an industry that has any considerable amount of home production. On the whole, the volume of commercial home work in the United States is small, and while the code includes as members individuals who make entire handkerchiefs by hand, it does eliminate from the manufacturing sector of the industry home sweat-shop conditions.

2. *Standards Relating to Work Place and Shop.* Machines shall not be operated more than one shift of forty hours in any one week except when authorized by the Code Authority and approved by the Administrator. "No work shall be done in any basements, unsanitary buildings, buildings unsafe on account of fire risks, or otherwise dangerous."

3. *Standards Relating to Personnel.* Hours of labor are established by classes of employes, with the maximum of eight hours a day, forty hours per week for the general employes. A minimum age of sixteen years is established.

Wages of labor are considered in greater detail. First, geographical minimums are established of twelve dollars in the Southern Section and thirteen dollars in the Northern Section. The differential between the Southern and Northern sections of the United States is due to two factors: (1) The cost of living factor; (2) the cost of transportation factor. The Northern section has considerably more than half the volume of the business in the United States. Undoubtedly, many of you consider the minimum wages of twelve and thirteen dollars a week as a deplorable minimum. It should be noted that this minimum results in doubling the minimum wage existing before the code. Some of the members of the industry believed the minimum wage should have been higher, but a rational survey of the entire situation—the disorganized state of the industry, the nature of the industry, the nature of the employment that existed—led to the decision that this was a reasonable starting point. Also, it is believed that the natural result of competitive forces will be to increase the minimum wage as economic conditions warrant. Nor is it thought that the minimum wage will become the prevailing wage. If the piece rates are set so the proficient worker cannot earn more than the minimum wage, he will have no incentive to maintain his output and production will decline. Clearly, it would not be to the employer's advantage to subsidize a considerable body of his labor in order to meet the minimum wage. Management economies will, therefore, result in the establishment of rates which will enable the workers to earn the minimum wage and which will automatically enable the proficient worker to earn more. As a matter of fact, the Code specifically provides that, "the wage rates for occupations other than those receiving the minimum wage shall at least maintain the difference in earnings." The aim is to maintain the differentials for higher-paid employes, and also in a more general way to provide for at least the same wage to be paid on the short week as on the longer week. Standards have been prescribed, however, for two classes of labor naturally at a disadvantage under a piece-rate system—learners and the physically handicapped.

Learners shall not be paid less than nine dollars per week of forty hours. In order to prevent "chiseling" by classifying experienced workers as learners, certain standards have been established: "A person shall be deemed a learner for no more than eight weeks; any time worked by a learner shall be deemed a part of his learning period, whether such time is worked continuously or in more than one shop or for more than one employer; the number of learners in any one plant at any operation shall not exceed 10 per cent of the total number of employes engaged in said operation." Observe that the percentage of learners is a percentage of an operation and not of the total working force.

Workers who are physically handicapped or who are handicapped on account of age are given an exemption, provided, however, "that the number of workers shall not exceed in number 6 per cent of the total number of workers employed in such operation, and provided further, that persons so employed shall receive not less than 80 per cent of the minimum wages established." This section is really included to permit the handkerchief industry to play its part in solving a social problem by taking care of a certain number of aged and handicapped people who can work in the needle trades, but who could not work in other trades requiring greater speed or dexterity.

The code also contains the provisions respecting the rights of employes "to organize and bargain collectively through representatives of their own choosing," and expressly prohibits prison labor.

4. *Standards Pertaining to Marketing and Merchandising.* The standards set forth in the article on Trade Practices are a re-statement of ordinary business ethics which become the law in their re-statement, and being the law, protect a weak industry from exploitation due to undue pressure on the part of the people to whom it is forced to sell due to the character of the final distribution of the product of this industry. The standards cover the offering of gifts and bribes, the making of rebates and allowances, the extension of confirmation dates, the exchange and return of merchandise, the breaking of contracts, etc. Not a single trade practice written into this code has the tendency to raise costs to the consumer or to impose any obstacle in the ordinary distribution of its product. In general, then, trade practices are the same as those that have been approved from time to time for various industries by the Federal Trade Commission. The additional ones represent organized disapproval of foolishly deceptive practices.

The article covering Terms of Sale, stabilizes discounts and delivery conditions and is designed to protect the members of the industry from pressure, and to grant more favorable conditions through the ability to exert irresistible pressure through buying power. No additional cost of commodity is entailed, or can be entailed, as the industry is still in a highly competitive situation. But this competition is limited through the enforcement of standard conditions of labor costs, trade methods and terms which are and should be uniform. The competition

in the costs of production, and consequent difference in prices is left to the field of individual initiative in styling of the product, in intelligent service, and in the field of management.

5. *Standards Relating to Product.* Among the Trade Practices are certain specifications relating to the description of the product. Standardization of terminology, of trade marks and labels, of statements of quality and productive processing are provided.

6. *Standards Relating to Finance.* "No member of the industry shall sell merchandise in the regular course of trade below his cost." The code does not provide for any form of price-fixing, but it does establish a technique of pricing—a technique based upon costs.

Through the standards established, the handkerchief industry has provided its members with a basis of understanding—a basis necessary to co-operative effort. Purposes, policies, methods, conditions, and facilities have been formulated. Known factors have replaced those of chance, and within the stabilized environment, each member now has a greater security upon which calculations and plans may be made.

The standards which have been made effective are insufficient, however, to meet the requirements of progressive stabilization. As existing knowledge is incomplete, research becomes essential. Managerial problems depend upon research for their solution, so the Code provides for research, investigation and experiment. Analyses, measurements and comparisons are a prescribed function of the Code Authority. This research, in which the Code Authority is to be engaged, serves not only the purpose of solving industrial problems, but also checks and currently examines the formulated standards. Purposeful effort remains progressive effort so long as the standards are free from rusting rigidities.

The fields of study in which research is to be conducted correspond to the classes of standards that have been adopted, with some additions. In fact, much of the research concerns trade practices which the industry desired to establish but the details of which could not be "thrashed out" in time for their adoption in the Code.

1. *Research Relating to Members of Industry.* The Code Authority shall "study the problem of home work in this industry and recommend to the Administrator appropriate means for its effective regulation and control." In particular, studies are to be made on the manufacture and processing of handkerchiefs on which the labor cost of the hand operation is equal to 60 per cent or more of the total labor cost of the finished handkerchief and where the wholesale price of such handkerchiefs is not less than $3.50 per dozen. This latter study deals with a specific case, involving a small number of people, and a small amount of product in California, Texas and New Mexico. It was felt, pending further study, that the industry would not be justified in legislating this small sector out of business without adequate study and an opportunity for the sector to prove its right to existence.

2. *Research at the Work Place.* Hours worked by machines are reported to the Code Authority.

3. *Personnel Research.* Reports received by the Code Authority cover the number laid off, hired, and on part time. As the characteristic method of wage payment is the piece rate, provision is made for the current filing of piece rates, which makes them subject to constant revision. Also, the Code Authority is to examine currently the differentials between geographical divisions and between able-bodied and handicapped workers. These differentials are in the Code on an experimental basis.

4. *Marketing Research.* In the fields of marketing and merchandising research is to be conducted on the problems relating to the shipment of goods on consignment or memorandum, "the abuse of buying power to force uneconomic or unjust terms or conditions of sale upon sellers, and the abuse of selling power to force uneconomic or unjust terms of sale upon buyers; the offering for sale of any merchandise under any trade mark, slogan . . . in unfair imitation of trade mark, name or slogan . . ." of a competitor; "procuring, or attempting to procure, any information concerning the business of a person which is properly regarded by such person as a trade secret or confidential within its organization."

5. *Product Research.* The Code commands the Code Authority to conduct research into two subjects relating to the product. Appropriate facilities have been lacking for the registration of new and original styles, designs and patterns. The Code Authority will endeavor to devise suitable facilities. The second piece of product research called for by the Code is in the use of colors and dyes.

6. *Research Relating to Finance.* In order to enforce the standards specifying that no handkerchiefs shall be sold below their cost of production, it becomes necessary to devise standard methods for cost keeping. The Code Authority is responsible for establishing a uniform accounting system for each division or sub-division of the industry. "Any member of the industry shall have the privilege of continuing any cost system now in use or of instituting a new cost system suitable and adapted to his particular needs, provided that the selling price arrived at by the use of any such system shall not be less than the cost of that particular article which would be arrived at by the use of the uniform cost system." This provision is intended to accomplish the purposes of an absolutely uniform cost accounting system without compelling individual members to upset their present systems, in case the present system reaches the same results that would be reached by the uniform cost accounting system.

7. *Research in General Administration.* Studies are also to be made in the state and tendency of industry generally and related industries as well as in the particular industry and the particular enterprises. Upon the industry is placed the responsibility for observing the degree of foreign competition. Many of you will respond that American industry has always been alert in discovering foreign competition and in making the discoveries known in the halls of Congress. But this *de facto* responsibility now becomes a *de jure* responsibility. Students of government have held that the lobby is an integral part of our legislative machinery, and should be officially recognized as such. Is this not a step in that direction? The Code states that the Authority shall have the responsibility of recommending "to the proper authority, should the provision of this Code so increase the cost of domestic manufacture as to greatly increase the proportion of foreign imports and impair the competitive ability of domestic manufacturers operating under this Code, such tariff and other regulations as will maintain the normal competitive relationship between domestic and foreign manufactures."

In the second place, it is the duty of the Authority to keep informed as to the Code situations and conditions in related industries. The Authority must watch the relations with outside industries.

These are the prescribed researches, but they are the minima. Broad powers remain; namely, "to obtain from time to time from members of the industry reports in such form and at such times, in respect to wages, hours of labor, conditions of employment, number of employes, and other matters pertinent to the purposes of this Code; to make surveys, compile reports, collect statistics and trade information, make recommendations for the betterment of the industry, investigate unfair trade practices, consider proposals for amendments to this Code, and otherwise act for the benefit of the industry." One may well carefully note these provisions for far-reaching future data con-

cerning the industry to be made available to the Code Authority and to the Administrator.

In addition to the reports dealing with personnel as stated, the Code Authority has already decided the industry shall report on production, purchase commitments, orders unfilled at the end of stated periods.

It does seem that in this industry we are witnessing a real change of attitude from the abstract concept of planning to the concrete application of planning technique. In these researches the basis has been laid for the development of an industry planning unit. The constant study of comparative piece rates, hours of machine operation, production, costs, quality of product, orders and commitments may well lead to an industry research bureau with far-reaching influence in standardizing equipments, processes, methods of work, rates, and flow of work.

The third principle of Scientific Management is that of control. To secure the most economic and most effective realization of the purpose and the correlation of activities, management must have continuous control of the work of individuals. Defined standards are ineffective unless there is established a systematic procedure which directs the researches, initiates and maintains the standards. Only then may the common objective be achieved with a minimum of waste of human and material energies. Control automatically accompanies the observance of standards, but there must be observance. Throughout the Code there are such phrases as, "upon the express approval of the Administrator," "unless ordered by the Administrator," "the Administrator may prescribe," "subject to the right of the Administrator." These phrases have not been used accidentally. The frequent repetition of such phrases results from the recognition of the fact that self-government of an industry requires a strong neutral authority who will serve the interest of the owner of the business, labor, and of the community. Industry may define the standards, but industry alone may not enforce their observance. The handkerchief industry welcomes such a stabilizing force and has already in its brief experience found that it is constructive, helpful and necessary.

The Code actually states: "To further effectuate the purposes of the Act, a Code Authority is hereby set up to co-operate with the Administrator in the administration of this Code. This Code Authority shall consist of nine members or such other members as may be approved from time to time by the Administrator. . . . Nine members shall be appointed by the Board of Directors of the Handkerchief Industry Association, Inc., and the Administrator, in discretion, may appoint additional members to represent the Administrator or such groups or interests as may be agreed upon." Note that the Administrator has the power to appoint additional members, with a vote. The Administrator has already appointed two such members on the Code Authority. The fact that Miss Rose Schneiderman—known by you as one of the strong, creative characters of the labor movement, distinguished by her balance between unyielding interest in the status of labor and a rational perception of management problems—has been appointed as a representative of the Administrator indicates the serious intent of this provision. This appointment has been doubly welcomed by the Code Authority and approved by the industry at large.

The industry has been organized for strong administration by the Code Authority, and the Administrator has far-reaching ultimate authority. In its internal organization, a basic distinction has been made between planning and execution. The staff of the authority is engaged in planning and collecting of data; the Authority is engaged in determination of policies, execution and enforcement.

In order to obtain information, the Code provides that the Authority select a Confidential Agency. The Agency "obtains from all members of the industry certified reports of such character and in such form as the Code Authority may prescribe. The Agency shall be in no way engaged in the industry or connected with any member thereof. All information received shall be held as secret and confidential between the Agency and the reporting member. The Agency shall analyze, consolidate, and digest the reports and shall disclose to the Code Authority only the general findings." The reason for the Confidential Agency is to secure the assembly of data for research and for reports on the observation of established standards without the members of a competitive industry knowing the detailed figures and to whom they pertain. A well-known firm of certified public accountants, of high repute, has been chosen as the Confidential Agency. Certified public accountants are particularly suited to this function for, obviously, the agent must be an inspector of cost systems and secondly, business men are accustomed to opening their books to accountants.

The power given to the Code Authority and to the Administrator will be the supreme test of an industry's capacity for self-government: of the character, vision and strength of its members.

Our analysis of the Code has returned us to the original proposition of this paper: co-operation will be promoted as research is conducted, as the results of research are formulated into standards, as control arises from the observance of the standards. In the application of these principles understanding will be created. This co-operation will not be merely a reporting of observed infringements, but the understanding and acceptance of the common purpose and the performance of complementary responsibilities.

There is a final proposition we would leave with you. The administration of this Code will not only extend the application of Scientific Management from the individual enterprise to the plane of national industry, but also will extend Scientific Management within individual enterprises. By limiting the area of competition to the sector of managerial efficiency, the scientifically managed enterprise can realize its potentialities.

Paper presented to a meeting of the Taylor Society, New York, December 8, 1933.

(*Continued from page eighty-one*)

capacity the country can potentially enjoy. All of us know that minimum salaries of what is today represented by thirteen dollars worth of buying power are not going to create and maintain a mass buying power sufficient to give us real prosperity. A part of the revolution taking place should be an attempt to put the average man and woman of a not-far-distant tomorrow in a condition of living comparable to that of the average business man of today in point of buying power. Similarly, just as the average business man is now theoretically entitled to credit based upon his future ability to earn and repay, so should the status of the average employe eventually be placed on a footing so that he too may be in a position to get and give his full share of the promised New Deal through the use of credit. The benefits of this, if intelligently and liberally used, few of us as yet appreciate. We must remember that practically every state of prosperity we have had has been a war prosperity, because war promoted a liberal use of credit. We must learn the technique of making credit available in large amounts without a war, without feeding, clothing, housing and caring for the individual so that he may destroy and die, but rather so that he may build and live.

Addresses delivered before a meeting of the Taylor Society, New York, December 6, 1933.

Reviews

THE CONSUMER—HIS NATURE AND HIS CHANGING HABITS. By Walter B. Pitkin, McGraw-Hill Book Company, Inc., New York and London, 1932, pages xiii, 421. ($4.00)

One of the most interesting and constructive developments in business thinking during the past ten years has been the rise of the consideration of the consumer. In the course of these years the arts of production and of marketing have been forced to give up their place of first importance to the study and understanding of the wants and the needs of consumers. Business executives are coming to the recognition of the fact that every type of business depends for its very existence upon the extent and changes of ultimate consumer demand. This shift of emphasis from production to consumption has been accompanied by several attempts at analysis in periodicals and books, of which Professor Pitkin's is the latest.

It has not been easy, as students in the field of consumption have discovered, to reduce the motives of consumption to simple, orderly, quantitative analysis. It has not been possible to generalize in simple terms. On the other hand, there is ample evidence that consumption is governed by rules and reason. Caprice may be, and undoubtedly is, a factor, but not really a very important factor. To dismiss the facts of consumption, as some have done, by asserting that they are governed by caprice is giving up the problem before it is studied. Consumption is, indeed, complex, the resultant of many forces including psychological and social, as well as economic and a book such as this is a welcome addition to our current knowledge.

The chief value of Pitkin's work is that he contributes the psychologist's viewpoint to the study of consumption. He states what he has to say in an interesting way. While not always conclusive his ideas are challenging. The book's chief drawback is that it discusses a very wide range of details concerning consumption and does not sufficiently summarize the main points. Reading it through does not leave one with decisive conclusions or definite courses of action. Finally, while the facts concerning consumers cited in the book may fully warrant the author's somewhat pessimistic outlook, the serious needs of the present are for constructive leadership, in thought as well as in action, that will make something out of the situation. This book is very well worth reading. It presents several phases of the study of consumption much needed both by economists and engineers. It will help to stimulate further search for the principles and theories of consumption.—*By* PAUL H. NYSTROM, Professor of Marketing, Columbia University, New York.

CAN BUSINESS BUILD A GREAT AGE? By William KixMiller, The Macmillan Company, New York, 1933, pages 320. ($2.50)

This book is a plea for a "bigger and better capitalism." It claims that private enterprise in the quest of profits will produce ever increasing prosperity—provided always the governments keep their hands off business. "Only business, as business, utilizing the discoveries of science, is inherently fitted for the next big push of mankind . . . the giving of work and the fructifying of man's labor under the magic wand of cooperation in business; the utilization of the incentives and checks and balances of the profit motive . . . The trouble with the world is not *laissez-faire* but too much interference with 'supply and demand.'"

Three things are necessary, our author continues, if the business system is to prosper—the cancellation of war debts, the abolition of tariffs and disarmament. With these problems out of the way, business will not only create an abundance of goods but also it will solve the problem of distribution. "The problem of mass distribution is therefore before us. But this can be solved by a legitimate inflation on the existing gold basis, lasting indefinitely, provided we depend exclusively upon a universal business organism." Although the author regards the gold standard "almost with reverence" he does not hesitate to give allegiance to the idea that "capitalism means continuous expansion and inflation through its own processes (prices running away from costs) for the decades immediately ahead, based upon a constant increase of human confidence."

This book does not clarify one's thinking concerning the workings of business. Business itself is vaguely conceived—one is not sure whether the author means competitive business, cartellized business, or private trustified business. No attention is given to such well-known conflicts between private gain and the public interest as monopoly gains, profits which arise from fraud and misrepresentation, and the creation of spurious wants by certain advertisers. The author has not given a clear-cut account of the workings of private enterprise nor has he dealt satisfactorily with the many charges which critics of private enterprise have made in recent years.

Further, the monetary doctrines in this book lack cogency. Most authorities are of the opinion that "indefinite inflation" and the gold standard are incompatible. Indeed, most people think that one of the principal merits of that standard is that under it indefinite inflation is impossible. Probably some inflation is possible on the gold standard, but if it is to be achieved there will have to be many technical changes in the money market to economize the gold supply. These technical points the author does not adequately consider. Nor has he given deserved attention to the case against inflation—that it robs all kinds of creditors for the benefit of debtors indiscriminately, and that it brings profits to the inefficient as well as the efficient. Do we want continuous inflation, as Mr. KixMiller asserts, if it will permit the survival of inefficient firms?

The general subject of the ability of business to build a great age is one of paramount importance. Unfortunately, there is little in this volume to strengthen one's faith in the system of private enterprise or to instruct our business leaders in ways better to serve the common good. In these days of the N R A private enterprise needs advocates—better advocates than this book.—*By* WALTER B. SMITH, Professor of Economics, Williams College, Williamstown, Mass.

CREDIT AND PEACE—A WAY OUT OF THE CRISIS. By Feliks Mlynarski, George Allen & Unwin Ltd., London, 1933, pages 92. ($1.25)

In this interesting little book, Professor Mlynarski first undertakes a rapid sketch of what he regards as the special causes responsible for the unprecedented magnitude of the 1929-33 depression and crisis, and then presents his own program of remedies. The causes especially stressed are the amazing post-war growth of long- and short-term indebtedness, especially international; the world-wide increase, since 1913, of over 100 per cent in the aggregate cost of government; the inflexibility of costs of production which these two factors have engendered and the high-tariff policy of the various creditor countries, particularly the United States. His remedies include a universal readjustment of long-term loan contracts to compensate for general price changes since 1929; devaluation of currencies by hard-pressed debtor countries, but to be followed by a return to the gold standard; and a very interesting proposal for a fund, to be provided chiefly by creditor-

country central banks and to be administered by the Bank for International Settlements, for the strengthening of debtor countries and their central banks. The book, despite its brevity, contains many suggestive ideas and is well worth study.—*By* JAMES W. ANGELL, Professor of Economics, Columbia University, New York.

THE DEVELOPMENT OF AMERICAN INDUSTRIES. By John George Glover and William Bouck Cornell, Prentice-Hall, Inc., New York, 1932, pages xxiii, 932. ($5.00)

The book is a compilation of forty-one chapters. Each chapter is an historically descriptive monograph covering an industry or an institution (such as organized labor or trade associations). Among the chapter subheadings are "Early History," "Modern Methods," "Important Companies," "Manufacturing Processes," "Marketing Methods," "Economic Importance of the Industry," "Persons Employed," "Capital Invested," "Geographical Location," "Legislation Affecting the Industry," "The Future of the Industry."

Authorship for each chapter rests with the secretary or president of an industry's trade association or some other person (or persons) whose knowledge of the subject is first-hand. Propinquity of the authors to currents of action in modern industrial life gives the book vividness. William Green, President of the American Federation of Labor, lays down the tenets of that important institution; the American power industry is described by a mechanical engineer, and Will Hays presents his ideas of motion picture making.

Painstaking work by the editors and co-operation between authors and editors have ironed out many of the inequalities, duplications and inconsistencies which so often mar the continuity of books with a multitude of authors.

Few persons are familiar with the technically specialized world in which they live and little do they realize the rates of acceleration at which industries are borne by tides of invention and change. A hundred years ago the steam locomotive was a novelty; fifty years ago the telephone was in its infancy and thirty years ago there were few automobiles and no movie theaters in these United States. Messrs. Glover and Cornell have succeeded in bringing together a body of information that causes the industrial development of the United States to unfold like a magic stairway. Starting from a flat and monotonous plain of existence in the dim and distant past, Western civilization has evolved a complicated industrial system; this system, the book in question undertakes to describe. The central theme of the book is evolution of United States industries during the last century.

Interest in economic planning and a need for new policies along which to steer the fortunes of old industries, if they are to continue prosperous, has created a growing demand for the kind of encyclopedic information, industry by industry, which *The Development of American Industries* provides.—*By* HUGH B. KILLOUGH, Professor of Economics, Brown University, Providence, R. I.

THE VALUE THEORY AND BUSINESS CYCLES. By H. L. McCracken, Ph.D., Falcon Press Inc., New York, 1933. ($4.00)

To the business man who once in college learned something about economic theory and various economic doctrines bearing on business cycles, but who has lost his memory of details and probably of the salient characteristics of individual schools of thought and would like to brush up, this volume is to be highly recommended. It devotes an average of fifteen pages to each of about fifteen leaders of economic thought, beginning with Ricardo, Sismondi and Marx and concluding with Foster and Catchings, Fisher and Keynes. Each is treated descriptively and analytically with a concluding critique by the author of this book. He very wisely gives exceptional attention to the Malthusian system of thought. The style is simple and readable and the content sufficient for the purpose.

One cannot express the same satisfaction with the author's contribution concerning avoidable causes of instability in the concluding chapters. He seems to be on the right track in a chapter devoted to the problem of business equilibration and the relation thereto of the loss of mobility and fluidity in a frozen price structure, and then he contents himself with the suggestion that the only practicably avoidable major causes of business instability are the tariff, war and unstable money. As though these, which from one point of view are causes, are not likewise results of numerous business institutions which must be modified or removed before those which interest the author can be handled as practicably avoidable causes!—*By* H. S. PERSON, Managing Director, The Taylor Society, Inc., New York.

WAS JEDER VOM ORGANISIEREN WISSEN MUSS (What Everybody Should Know About Organization). By I. M. Witte, R. Oldenbourg, Munich and Berlin, 1932, pages ix, 94.

The author has taken the following as a motto for the preparation of this little treatise on what may perhaps best be referred to as the scientific attitude toward one's work.

"Arbeit is da, um auf die zur Zeit moegliche beste Art erledigt zu werden." (Work is imposed that it may be done in the best manner possible under the conditions prevailing at the time.)

On this motto as a foundation and in an attractive and impressive manner the subject matter is dealt with so as fully to justify what its title implies; namely, that it might well be read and pondered over with profit and satisfaction by anybody not previously conversant with the subject, no matter what his or her position in life. There is no pretention at dealing with the subject other than in a fundamental and elementary manner; but this is done in a way that should not fail to stimulate the reader to think seriously and analytically about whatever kind of work he or she may be engaged in. This should make work more enjoyable, less fatiguing and time-consuming, and thereby free more time and energy for the cultivation of the higher aims in life and the enjoyment of its higher pleasures.

The author reveals throughout an attitude toward work, which, if generally adopted would soon drive out of the world every remnant of the old notion that work was imposed upon man as a punishment for the original sin committed by our alleged first human ancestors.—*By* CARL G. BARTH, Consulting Engineer (retired), Philadelphia.

MERCHANDISING OF COTTON TEXTILES, METHODS AND ORGANIZATION. By Melvin T. Copeland and Edmund P. Learned, Harvard University, Graduate School of Business Administration, Bureau of Business Research, Soldiers Field, Boston, March, 1933, pages 92.

In general, I think that the main conclusions of the report are sound. There is a great deal of evidence in the industry as brought out by the report of the importance of specialization of merchandising and selling activities either by function, by type of product, or by trade outlet. I do not fully agree, however, with the Business School in the weight they place upon the importance of the separation of merchandising and selling

activities. They give many examples of where these activities can be successfully combined, but the number of cases in which they can be separated successfully is very few. I should personally place far more emphasis on the importance of specialization by trade outlet, which would carry with it a certain amount of specialization by type of product. I think a proper appreciation of the significance of this point will help many companies to handle some of their problems better than they have in the past.

The second major point made by the Business School is the unity of control over production, finance and marketing. On this matter I am in hearty accord with the Business School, and I believe that the tendency of the industry will be more and more in this direction, whether the unity of control is brought about through the leadership and initiative of the men now acting as selling agents or by the mills themselves. I do not take this point as a criticism of the selling agents as such or of the mills, but rather of the relationship that now exists in many cases between the two organizations. This relationship so far as I know is not common outside of the textile industry.

The "meat" of the report is contained in the first and last two chapters. The other chapters, however, while "heavy" in spots will repay very careful study. Mr. Pickard of the Textile Foundation has made what seems to me a valuable suggestion which he hopes will be carried out by the trade. It is suggested that each company upon receiving a copy of the report ask one member of its organization to make a thorough study of the report and its implications to that company and write a memorandum on this point for the use of the chief executives of that company. In this way Mr. Pickard feels that the report can be made of the greatest practical value.

While not everyone will agree with all of the conclusions or information of the report, a very good job has been done by the Business School, which was made possible because of the whole-hearted support given by the various branches of the industry. I think also that the Textile Foundation, which made the report possible, deserves the thanks of the industry for its recognition of the need for more attention to distribution research than research in the field of production only.

Some people in the industry will undoubtedly see little of significance in the report to their own situations, but if a few of the leaders do grasp the full implications and meanings of the report and the report in any way stimulates action along the lines recommended, I think the Textile Foundation may well feel that the work which they made possible has been worth while.—*By* FESSENDEN S. BLANCHARD, Merchandise Manager, Pacific Mills, New York.

THE COMMERCIAL PROBLEMS OF THE WOOLEN AND WORSTED INDUSTRIES. By Paul T. Cherington, The Textile Foundation, Inc., Washington, D. C., 1932, pages xiii, 242. ($2.50)

This is a book of utmost timeliness by a veteran and a scholar. It will interest those who are really studying remedies for unemployment as well as those in every trade association who are able to "make transfers" to their own industry and who aid or hope to aid their firm membership. It might well get a new jacket and capitalize the interest in the Recovery Act, though it was of course written previously. Yet it is entirely devoted to the industries mentioned in the title and makes no claim to interest others.

Mr. Cherington moves lucidly through the field; grounding the reader in statistics of the industry, charting both the trends of its chief products and those of other enterprises that reflect the changing lives and activities which cause habit and style developments; setting aside certain problems as at present insoluble; giving an absorbing account of the history and functions of the distributing and financing agencies; analyzing the peculiar difficulties of an industry which "no longer makes a finished product . . . rather a raw material for the cutting trades"; and, after describing several isolated solutions of the problem, suggests a program for the industry as a whole, which he modestly urges as "a few clarifying steps."

Because of our rapid change in commercial and industrial thinking, we are trying as never before to spell out sound relationships between competition and co-operative enterprise:

The difficult point to hold is the fact that while the origin of action and its main expressions must be individual, it is of utmost importance to keep in proper relation with the interests of the related crafts and trades.

He quotes a compelling parallel from Jerome Eddy:

Competition does not need to be blind in order to be real, any more than the erection of a high solid fence between foot racers is necessary to insure a good foot race.

Anyone who has attended typical code hearings at Washington can realize that a new deal will be really launched when some such attitude becomes widely understood. And the participants are examining "co-operation" as never before. It is only a question of time before the great forces of the public and labor now represented in our machinery will take up the cudgels for such an approach as Cherington exemplifies, for it is essential to regularization.

There are indications given that individual plants and therefore trade associations might normally be slow to realize their opportunity. The author quotes, without naming, another wool authority at some length, giving a partial list of the hindrances to a co-operative spirit, saying that "they may be false but here they are":

1. A baronial attitude of obliviousness to consequences of any given act provided it gets business for its performer.
4. Refusal to recognize the unity of the selling job which runs until the final user of the fabrics is reached and sold.

At the risk of giving a very inadequate idea of his reasoned and cautious treatment, the reviewer will close with a brief of his "summary of a program for betterment":

1. The preservation and expansion of the Federal Census Bureau's present reports on wool consumption and active and idle machinery, garment cutting and other current operations.
2. . . . using the woolen and worsted industries as a model for complete coverage with current statistics. . . .
3. Interpretive work, dealing with these figures (and others) . . . should be undertaken for the industries (and financed by them) by such institutions as the Industrial Research Bureau of the University of Pennsylvania, the Bureau of Business Research of Harvard . . . and other similar institutions.
4. Inter-association projects . . . to end some of the more disturbing causes of confusion in textile distribution.
5. Either through the National Association of Wool Manufacturers or independently, there should be formed specialized Economic Councils . . . to bring about improvement of underlying conditions.
6. Co-operation with the U. S. Institute for Textile Research . . . for accomplishing some of the foregoing ends as well as for furthering research in technical fields.
7. Existing bureaus and services designed to help in the solution of style problems ought to be encouraged and perfected.
8. Mills and selling houses . . . should be encouraged to develop (adequately manned) statistical staffs. They can more than pay their way.
9. The development of a keener statistical sense on the part of many mill men. . . .
10. Thus equipped with statistical background, the responsibility falls on the individual concerns to use the underlying figures and the factual records of their own current sales to project plans for a safe distance ahead of any given time.

By FRANCIS GOODELL, Management Counselor, New York.

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